Rhode Island 2019 First Quarter Housing Report

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Regrets? In 2019, We Have a Few...

Millennials are finally entering homeownership, but feel the sting of buyers remorse.

By John Tarducci, MIRM, Senior Vice President, New Development Services Division, William Raveis Real Estate, Mortgage & Insurance

As 2019 kicks off there is cause for celebration: homeownership rates hit a four year high nationally, according to the Census Bureau. At the end of 2018, homeownership rates rose to 64.8 percent--a number that has been steadily climbing since hitting an all-time low in 2016. Even better news? It appears as though this increase in homeownership is driven primarily from renters who have made the jump to buying. And even better news? The millennials have finally joined the party, with the majority of new homeowners being under 44 (according to most reports, the oldest millennials are currently 39.)

Unfortunately the news isn't all good. While millennials appear to entering homeownership and leaving the world of renting behind, they aren't feeling great about the decision. In a new survey by Clever, millennials were found to be more than twice as likely to be stressed about homeownership as compared to their baby boomer counterparts, with 51 percent feeling buyers remorse, compared with just 20 percent of boomers.

What's causing the stress? A home is one of the largest purchases in a person's life, and is tantamount to achieving the American Dream--shouldn't millennials be celebrating their achievement? Unfortunately for many, the mortgage payment is more than they bargained for. With a competitive housing market for buyers, and competing expenses, more than two-thirds of millennial buyers surveyed put down less than 20 percent on their new homes. This leads to higher monthly payments, plus the looming threat of private mortgage insurance.

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Also causing stress among millennial homeowners is the surprising cost of maintaining a home once you've bought one. There is no landlord to call when an appliance breaks down or a pipe bursts, and 43 percent of millennial homeowners are feeling that additional financial burden. Adding to that, millennial homeowners are more likely than baby boomers to buy a fixer-upper, thanks to availability and cost--so in addition to normal repairs, they are quickly realizing the renovations needed to turn their starter home into a dream property will cost even more money.

It's important for millennial homeowners to not lose site of the bigger picture--while purchasing and maintaining a home is a big adjustment, it is also an important step on the road to future wealth. In a study "average" millionaires by Dave Ramsey, most millionaires had paid off their mortgages in an average of 10.2 years. Additionally, a study by the Urban Land Institute found that delaying homeownership actually had a negative impact on future financial health. Individuals who purchases a home between 25 and 34 had the greatest amount of wealth in their 60s, with close to $150,000 in median home equity at age 60 or 61. As people age into retirement, they rely more heavily on their wealth rather than their income to support their lifestyles, so higher home equity is an important factor.

As more and more millennials enter homeownership, where does the responsibility lie in managing their expectations vs. reality? Should real estate agents take on the mantle of coach, as well as advisor and navigator? Providing resources and access to information seems key, as millennials, brought up in the age of the Internet, are used to comparing and researching and scouring the Web for details. Perhaps, as experts in the industry, it is our job to guide them to the information they need, to limit surprises after close.

Housing Permits Decline in First Quarter

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total 1Q 2019
Providence, RI	302	24	9	24	359
% Change from 2018	-61.0%	-68.4%	+50.0%	-70.7%	-61.7%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total 1Q 2018
Providence, RI	772	76	6	82	936
% Change from 2017	-11.9%	+52.0%	-33.3%	+82.2%	-4.5%

MSA	1 Unit	2 Unit	3 & 4 Unit	5+ Unit	Total 1Q 2017
Providence, RI	876	50	9	45	980

State of Rhode Island

Housing Permits Issued by MSA
First Quarter 2018 vs. 2019

In Q1 2019, permits in the Providence MSA saw a 61.7 percent decrease. The total number of permits decreased from 936 to 359 year-over-year. This included decreases of 70.7 percent for 5+ Unit permits, 68.4 percent for 2-Unit permits and 61 percent for 1-Unit permits. Meanwhile, 3 & 4 Unit permits increased 50 percent.

Single Family Unit Sales Rise in First Quarter

Through Q1 2019, Single-Family Home Sales in the Rhode Island increased .9 percent, from 2,088 to 2,106 year-over-year. On a county-by-county basis, increases were seen across the state, including: Kent County at 15.7 percent, Bristol County at 7.1 percent and Washington County at 1.8 percent. Decreases were seen in Newport County at 7 percent and Providence County at 5.2 percent.

First Quarter 2019 vs. 2018

Unit Sales	0.9% ↑
Avg. List Price	4.6% ↑
Months of Supply	5.3% ↑

Average Sales Price for single-family homes in Rhode Island increased 2.5 percent through Q1 2019, from $322,163 to $330,245. Increases were seen in Washington County (13.3 percent), Kent County (5.3 percent) and Providence County (4.1). Decreases were seen in Newport County at 10.2 percent and Bristol County at 8.2 percent.

To round out the quarter, Average List Price increased 4.6 percent, Months of Supply increased 5.3 percent and Price Per Square Foot increased 3.7 percent.

Single Family Marketplace

Home Sales First Quarter 2018 vs. 2019

	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
COUNTY	1Q 2018	1Q 2019	% DIFF.	1Q 2018	1Q 2019	% DIFF.
Bristol	112	120	+7.10%	$456,071	$418,705	-8.20%
Kent	440	509	+15.70%	$258,656	$272,397	+5.30%
Newport	187	174	-7.00%	$600,469	$539,234	-10.20%
Providence	1,008	956	-5.20%	$258,542	$269,201	+4.10%
Washington	341	347	+1.80%	$395,386	$447,899	+13.30%
STATEWIDE	**2,088**	**2,106**	**+0.90%**	**$322,163**	**$330,246**	**+2.50%**

Single Family Marketplace

Months of Supply First Quarter 2018 vs. 2019

COUNTY	1Q 2018	1Q 2019	% DIFF.
Bristol	3.50	4.30	+22.10%
Kent	3.20	3.20	+0.60%
Newport	5.10	6.20	+21.30%
Providence	2.90	3.20	+10.30%
Washington	4.00	4.50	+12.40%
TOTAL	**3.40**	**3.70**	**+5.30%**

Rhode Island Condominium Sales Decrease in 2019

To finish Q1 2019, we saw Units Sold decease for condominiums in the Rhode Island, down 6.2 percent, from 468 through Q1 2018 to 439 through Q1 2019. Decreases were seen in Bristol County at 31.6 percent, Providence County at 12.5 percent and Kent County at 5.6 percent. Increases were seen in Newport County at 15 percent and Washington County at 11.1 percent.

2019 vs. 2018

Unit Sales	6.2%↓
Avg. List Price	9.9%↑
Months of Supply	6.0%↑

Averages Sales Price of condominiums in Rhode Island increased 3.8 percent, from $262,832 to $272,782. On a county-by-county basis, Bristol County increased 35.8 percent, Kent County increased 17.4 percent, Providence County increased .7 percent, Newport County decreased 7.1 percent and Washington County decreased 5.1 percent.

To round out the quarter, Average List Price increased 9.9 percent, Months of Supply increased 6 percent and Price Per Square Foot increased 5.4 percent.

Condominium Sales

Condominium Marketplace
Home Sales First Quarter 2018 vs. 2019

	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
COUNTY	1Q 2018	1Q 2019	% DIFF.	1Q 2018	1Q 2019	% DIFF.
Bristol	19	13	-31.60%	$335,732	$455,835	+35.80%
Kent	72	68	-5.60%	$193,152	$226,704	+17.40%
Newport	40	46	+15.00%	$429,644	$399,126	-7.10%
Providence	265	232	-12.50%	$221,395	$222,966	+0.70%
Washington	72	80	+11.10%	$373,111	$354,022	-5.10%
STATEWIDE	**468**	**439**	**-6.20%**	**$262,832**	**$272,782**	**+3.80%**

Condominium Marketplace
Months of Supply First Quarter 2018 vs. 2019

COUNTY	1Q 2018	1Q 2019	% DIFF.
Bristol	4.30	5.40	+24.50%
Kent	4.90	4.50	-8.90%
Newport	5.80	7.90	+35.70%
Providence	3.20	3.80	+16.90%
Washington	5.20	4.00	-22.90%
TOTAL	**4.20**	**4.40**	**+6.00%**

Conclusion

While millennial homeownership is on the rise, and is expected to continue its trajectory as more and more in the generation come of age, they seem underprepared for the challenges of homeownership. With mounting debt, many choose to buy a home with a smaller down payment, increasing their monthly mortgage and incurring PMI. Additionally, in order to swing a home payment they can afford, they're buying fixer-uppers. However, the generation who have gone from their parents house, to swanky college dorms, to landlord-managed rentals are unprepared for the cost of regular home maintenance. As experts in the home building and home owning industry, can we better prepare millennials for the challenges they will face in owning homes? If we expect the largest generation of potential homebuyers to be successful in their pursuit of the American Dream, which will ultimately impact the success of the housing market, we will have to.

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Credits and Resources

1. Information contained herein is based on information obtained from STWMLS and is deemed accurate but not guaranteed
2. Metro Service Area (MSA) housing permit data source: U.S. Census Bureau Compiled by HUD Research